



AUDIT REPORTING PROCEDURES

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This instruction implements AFD 65-3, *Internal Auditing*, and gives procedures for audit report processing, information access, nonconcurrence resolution, potential monetary benefits, and nonappropriated fund (NAF) audits. Attachment lists references, abbreviations, acronyms, and terms.

SUMMARY OF REVISIONS

★ This revision eliminates the procedure to issue a revised audit report if management comments are received after the 30-day time limit (paragraph 1.4.13); changes the definitions of potential monetary benefits (paragraph 4.1.1) and funds put to better use (paragraph 4.2) to be consistent with the definitions contained in DoD 7600.7-M and AFI 65-403; clarifies the definition of disallowed cost (paragraph 4.4); and specifies the products used to report PMBs (paragraph 4.9). A) A ★ indicates revisions from the previous edition.

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Chapter 1

AUDIT REPORTS

1.1. Overview of Audit Reporting. After the auditor completes all field work on an audit, the Air Force Audit Agency (AFAA) prepares a draft report and releases it to management for formal comments. AFAA normally allows management up to 30 calendar days from the date of the draft report to respond. After receiving the comments, AFAA adds them to the final report, along with an AFAA evaluation of management comments. AFAA then distributes the report.

1.2. Audit Limitation. Internal audits do not criticize responsible management decisions. Most management decisions involve some degree of risk and uncertainty. Even when later events show the wrong decision was made, this, by itself, does not mandate an audit report. Unsuccessful decisions become subject to audit when they result from inefficient operations, inadequate procedures, or other deficiencies and when reporting them would lead to improving systems or procedures, or avoiding future errors.

1.3. Types of Reports:

1.3.1. Air Force-level reports of audit are the result of centrally-managed, multi-site audits that the AFAA addresses to the Secretariat, Air Staff, major command (MAJCOM), field operating agency (FOA), or direct reporting unit (DRU). AFAA also gives these reports to the Assistant Secretary for Financial Management and Comptroller (SAF/FM) for action or information and to the Office of the Inspector General, Department of Defense (OIG, DoD), for information.

1.3.2. Installation-level reports of audit result from single-site audits covering issues specific to an activity or installation. AFAA addresses these reports to the appropriate commander and MAJCOM, FOA, or DRU.

- Special reports convey highly sensitive audit findings to responsible managers with a need-to-know at the HQ USAF or MAJCOM, FOA, or DRU level. The findings in these reports usually involve issues such as unlawful activities or other conditions that could embarrass the Air Force.
- Commanders Audit Program (CAP) reports convey results from a personalized audit tailored to specific issues in organizations under the jurisdiction of the requesting installation or tenant commander.

1.3.3. Before issuing a final report and while audits are in progress, AFAA can provide an interim notice of deficiencies to an office of primary responsibility (OPR). The interim notice has a two-fold purpose: (1) to provide management timely notification of findings that are urgent, and (2) to keep management aware of conditions found in audits extending over a long period of time. The interim notice can be a report, memorandum, or a briefing.

1.3.4. Air Force management can contract with public accountants to audit Air Force activities according to policy in AFPD 65-3. Public accountants provide a report of audit to the audited activity based on the terms of the contract. See Chapter 5 for further information on public accountant audits and reports of NAF activities.

1.4. Processing Reports:

1.4.1. All Air Force managers designate an audit focal point at each command level to act as a liaison officer between management and audit and to monitor audit project and report processes.

1.4.2. Commanders of the organization under audit must respond to regular and special reports by documenting their intended or completed corrective actions.

- Management need not respond to CAP reports or reports that do not contain recommendations or potential monetary benefits (PMB). When management corrects deficiencies during the audit, the draft report normally presents the findings, but recognizes management's actions in lieu of a recommendation. Management must, however, provide written comments on the reasonableness of all auditor estimated PMB. See Chapter 4 for further information on PMBs.
- For interim reports, management provides comments within 25 days of the date that AFAA issues the report. The auditor includes these comments, along with an audit evaluation, in the report.

1.4.3. The AFAA sends the draft report to the responsible commander at the lowest management level (tenant, installation, DRU, FOA, MAJCOM, Air Staff, or Secretariat, as appropriate) for comments.

1.4.4. For an installation or Air Force-level audit, management can arrange to meet the auditors to clarify parts of the report or to introduce new information. These discussions promote effective, corrective action by clarifying audit findings, recommendations, and PMB.

1.4.5. Management notifies the AFAA immediately if they disagree with a finding, recommendation, or PMB.

1.4.6. The AFAA OPR can grant an extension for management comments in unusual circumstances. If management cannot respond by the due date, the designated report OPR telephones the AFAA OPR and requests an extension. The AFAA OPR can grant extensions, usually in 15-day increments, not to exceed 60 days from the date of the draft report. Management follows up an oral request with a written request that includes both the reasons for the delay and a date when AFAA can expect to get management's comments.

1.4.7. Management and audit officials coordinate closely so that the final report fully documents management's position on issues in the report.

1.4.8. Management provides appropriate comments for verbatim inclusion in the final report, as well as a statement of concurrence or nonconcurrence on each finding, recommendation, and PMB. Management writes comments concisely and includes a rationale for any disagreement. Management officials can propose other ways to correct reported deficiencies. Finally, management provides an actual or estimated completion date for corrective action.

1.4.9. The following list provides recommended responses to audit recommendations. See attachment 2 for specific examples of management comments.

- Management can explicitly agree with the finding, recommendation, and PMB. Management comments describe corrective actions, both taken or planned, and gives actual or planned completion dates.
- If management does not agree with the recommendations but agrees that action is required, management's response explains what action they believe is necessary and offers an alternative recommendation. AFAA does not consider such responses as nonconcurrences if AFAA feels that the alternative action would correct the problem.
- If management agrees with the finding and recommendation but disagrees with the PMBs that AFAA expects will accrue from implementing the recommendation, management clearly states the reason for their disagreement and gives a revised PMB estimate.
- If management expects corrective action to take longer than a year, they set up interim milestones for completing major segments or actions.
- If management nonconcurs with any finding, recommendation, or PMB, management comments should specify the reason for the nonconcurrence.

1.4.10. AFAA can revise the draft report after talking it over with management. For Air Force-level audits, the AFAA Pentagon Liaison Office (SAF/AGA) distributes copies of the portions of the modified report to the Secretariat or Air Staff OPR and all other activities that received the initial draft report.

1.4.11. For installation-level audits of Air National Guard activities, AFAA sends draft reports simultaneously to the commander of the audited activity, the State Adjutant General, and the Air National Guard Readiness Center (ANGRC). The audited activity provides written management comments to AFAA, and the ANGRC provides concurrence on management comments. The AFAA must have both responses before publishing the final report.

1.4.12. AFAA evaluates management comments to determine if corrective actions, taken or proposed, are adequate and timely. AFAA can obtain additional information or explanation to support the audit position in the report if either of the following conditions exist:

- AFAA does not consider management's proposed actions adequate to correct the reported condition.

- Management disagrees with a finding, recommendation, or PMB.

★1.4.13. When management does not provide comments within the required time, AFAA issues the final report without management comments. If management does not provide comments within 30 calendar days after AFAA issues the final report, AFAA processes the report as a nonconcurrence. See chapter 3 for further information on nonreceipt of management comments.

1.5. Air Force-Level Draft Report Distribution.

AFAA simultaneously distributes draft reports to the Secretariat, Air Staff, or MAJCOM, FOA, or DRU OPR and, as applicable, to offices of collateral responsibility (OCR). See attachment 3 for a list of responsibilities.

1.6. Processing HQ USAF Comments for Air Force-Level Reports:

1.6.1. Management provides comments to SAF/AGA and the AFAA OPR for evaluation. Within 7 days, SAF/AGA adds the AFAA evaluation of management comments to the coordination staff summary sheet package and sends the package to the appropriate assistant secretary or AF/CC for signature. At the same time, SAF/AGA provides the evaluation of management comments to the Secretariat or Air Staff OPR.

1.6.2. Within 3 working days, the assistant secretary or AF/CC sends a signed letter approving management comments to SAF/AGA. If disagreements exist, management comments do not address the issues, or the assistant secretary or AF/CC finds the response unacceptable, AFAA can return the report to the appropriate Secretariat or Air Staff OPR for reconsideration or revision. Revision should not take more than 15 calendar days.

1.6.3. After AFAA receives the approved responses, AFAA completes the final report and sends it to SAF/FM for follow-up tracking and to OIG, DoD for information. AFAA sends copies to the Secretariat, Air Staff or MAJCOM, FOA, or DRU OPR, and the OCRs.

1.7. Processing MAJCOM Comments for Air Force-Level Reports:

1.7.1. The MAJCOM, FOA, or DRU OPR provides management comments to the AFAA MAJCOM, FOA, or DRU representative. The representative provides the comments to the AFAA OPR, if different than the AFAA MAJCOM, FOA, or DRU representative.

1.7.2. The AFAA OPR evaluates the management comments and adds both the comments and the evaluation to the draft report.

1.7.3. The AFAA MAJCOM, FOA, or DRU representative or the MAJCOM, FOA, or DRU OPR includes the AFAA evaluation of management comments in a staff summary sheet package for command coordination and signature.

1.8. Air Force-Level Reports With No Recommendations. When AFAA provides management a draft audit report that contains no recommendations or PMB, management has 15 calendar days to inform AFAA of any exceptions to the report.

1.9. Air Force-Level Report Transmittal:

1.9.1. AFAA releases the final report to OIG, DoD within 28 calendar days after signing. The AFAA prepares a proposed memorandum to transmit copies of the final report to OIG, DoD. The memorandum notifies OIG, DoD of any unresolved issues and states that AFAA will notify OIG, DoD of the resolution. AFAA prepares the follow-up tracking sheets and forwards them to SAF/FM to initiate the follow-up process.

1.9.2. For reports of special significance, AFAA releases the report as prescribed in paragraph 1.10.1, except that AFAA provides a copy of the report to Under Secretary of the Air Force (SAF/US) for transmittal to the Deputy Secretary of Defense.

1.10. Installation-Level Report Distribution. AFAA addresses and distributes regular and special reports to the responsible management officials at installation-level and

the applicable MAJCOM, FOA, or DRU. If the audit deals only with the internal operations of a MAJCOM, FOA, or DRU headquarters, AFAA can address and distribute a report to the responsible director (or equivalent) and to the commander.

1.10.1. MAJCOM, FOA, and DRU commanders inform the installation-level AFAA OPR concerning distribution to intermediate command levels.

1.10.2. AFAA sends special reports to the applicable assistant secretary, the SAF/FM, the Assistant Vice Chief of Staff (AF/CVA), and appropriate Air Staff deputy or assistant chief of staff. In some cases, AFAA provides copies of a special report to either, or both, the SAF/US and the OIG, DoD.

1.11. Report Availability. The draft report is an internal Air Force action document and is not widely distributed. However, the final audit report is a historical document, for use by internal and external organizations. Within the Air Force, management and auditors use the final report for reference. Outside the Air Force, government agencies such as the OIG, DoD; the General Accounting Office; and the Congress have access to the report. AFAA releases final reports to the public under the Freedom of Information Act.

Chapter 2

ACCESS TO INFORMATION

2.1. Limitation. Air Force management grants AFAA auditors access to information according to AFD 65-3. To gain access to either Joint Staff papers and information or joint papers and information, auditors follow procedures contained in Memorandum of Policy No. 60, *Release Procedures for Joint Staff and Joint Papers and Information*.

2.2. Elevation of Disagreements:

2.2.1. If an installation refuses to allow access to needed information, the auditor sends written notice to the AFAA MAJCOM, FOA, or DRU representative, who attempts to resolve the issue with the MAJCOM, FOA, or DRU OPR. If discussions with the MAJCOM, FOA, or DRU do not result in access to requested information within 7 days of the disagreement, the AFAA MAJCOM, FOA, or DRU representative forwards the request and the MAJCOM, FOA, or DRU position to SAF/AGA.

2.2.2. If management denies access for an Air Force-level audit and the AFAA directorate does not resolve the issue, the associate director forwards the request and the results of any discussions to SAF/AGA.

2.3. HQ USAF Discussions. SAF/AGA refers access disagreements to the HQ USAF functional OPR for review and possible resolution. If these discussions don't resolve

the problem within 15 calendar days of the disagreement, SAF/AGA refers the request, along with MAJCOM, FOA, or DRU and HQ USAF positions, to the Auditor General of the Air Force (SAF/AG). The SAF/AG submits the package to the Secretary of the Air Force (SECAF) for decision.

2.4. SECAF Decision. The SECAF makes a decision on the access denial within 30 calendar days of the disagreement and advises applicable Air Force activities of the decision. In accordance with provisions of DoD Directive 7600.2, *Audit Policies*, February 2, 1991, SAF/AG advises the OIG, DoD when the Secretary's decision denies access.

2.5. Denial of Access to Joint Staff Information:

2.5.1. If the involved parties cannot agree to an access request, or the AFAA notifies the Joint Staff that they find the release conditions unacceptable, the AFAA requests the OIG, DoD to formally notify the Joint Staff of the disagreement and request the Joint Staff to give the auditors the information they need.

2.5.2. Pursuant to the Inspector General Act of 1978, as amended, the Joint Staff must, within 30 calendar days, either provide the needed information or forward a recommendation for denial to the Secretary of Defense for a determination.

Chapter 3

NONCONCURRENCES (DISAGREEMENTS)

3.1. Required Resolution. Air Force management and audit officials must resolve all disagreements within 6 months of the final report date according to DoD Directive 7650.3, *Follow-up on General Accounting Office, DoD Inspector General, and Internal Audit Reports*, September 5, 1989, with Changes 1 through 3. Management and audit must try to resolve any disagreements at the lowest management level possible. If they cannot resolve the problem, AFAA must move the issues to the next higher level of authority, where they will discuss and resolve the disagreements.

3.2. Nonconcurrences With Air Force-Level Reports. SAF/AGA refers reports to the Deputy Assistant Secretary (Financial Management) for Plans, Systems, and Analysis (SAF/FMP) for resolution whenever disagreements exist between the AFAA and management officials. SAF/FMP submits all remaining unresolved issues to SAF/US for final resolution. See AFI 65-403, *Follow-up on Internal Air Force Audit Reports*, for additional information.

3.3. Nonconcurrences With Installation-Level Reports.

Management and audit officials send unresolved disagreements to the next higher level of authority. Installation management forwards nonconcurrences to the applicable MAJCOM, DRU, or FOA audit focal point, who sends the nonconcurrency to the functional OPR for an attempt at resolution. Installation audit officials forward nonconcurrences to the AFAA MAJCOM, DRU, or FOA representative.

3.3.1. Within 60 calendar days of the final report date, the OPR must provide formal, written comments to the AFAA representative.

- If the OPR does not agree with the lower echelon nonconcurrency, the OPR sends a written notice to the AFAA representative within the 60-calendar day period and notifies the installation that the OPR overturned the nonconcurrency.
- If management and the AFAA representative agree, the OPR can include proposed alternative actions to correct the problem.

- If the OPR supports the nonconcurrency, the comments must include the results of discussions with the AFAA representative, reasons for the nonconcurrency, and signature of the MAJCOM, FOA, or DRU commander.

3.3.2. If the management OPR and the AFAA representative do not resolve the nonconcurrency within 90 days of the final report date, the AFAA representative sends a copy of the report, applicable management comments, and other information derived from previous resolution discussions to the SAF/AGA for resolution with the Secretariat or Air Staff.

3.3.3. Working with management, SAF/AGA can take an additional 90 days to resolve nonconcurrences.

3.3.4. SAF/US is the final resolution authority. While SAF/US has delegated authority to decide nonconcurrences in installation-level issues to SAF/FMP, management or AFAA can appeal the SAF/FMP decision to the SAF/US.

3.4. When AFAA Does Not Receive Management Comments:

- If management does not provide comments within 30 calendar days after AFAA issues the final installation-level report, AFAA processes the report to the AFAA MAJCOM, FOA, or DRU representative and the AFAA/DO for resolution action.
- When AFAA processes the report without comments, the management OPR at the MAJCOM, FOA, or DRU must act immediately to make sure that subordinate installations respond to the audit report.
- If management provides comments after AFAA forwards the report to the AFAA representative, the AFAA sends the comments to the AFAA representative. The installation OPR sends the comments to the installation audit focal point and the MAJCOM, FOA, or DRU OPR.
- If the AFAA receives no comments within 90 days following the report date, the report goes to HQ USAF for resolution.

Chapter 4

POTENTIAL MONETARY BENEFITS

4.1. PMB Definition:

★4.1.1. Potential monetary benefits (PMB) are estimates that the AFAA measures and expresses as dollar values and expects the DoD or the federal government overall to save if management implements audit recommendations.

4.1.2. These benefits represent the best estimates or actual known benefits of the auditor or management when the auditor prepared the audit report.

4.1.3. PMBs can be either “funds put to better use” or “questioned cost”, but not both.

★4.2. **Funds Put to Better Use.** Most PMBs that result from internal audit are classified as “funds put to better use.” “Funds put to better use” means that if management implements the auditor’s recommendations, funds could be used more efficiently. The following list shows examples of actions that result in “funds put to better use”:

- Reductions in outlays.
- Allowing funds from programs or operations to be deobligated and used in programs or operations other than that which they were originally budgeted.
- Withdrawal of interest subsidy costs on loans, or loan guarantees, insurance, or bonds.
- Costs avoided by implementing recommended improvements for the operations of the establishment, a contractor, or a grantee.
- Avoiding unnecessary spending noted in pre-award reviews of contract or grant agreements.
- Reduction to any approved requirement, either funded or unfunded.
- Any other specifically identified savings.

4.3. **Questioned Cost.** When an auditor questions an incurred cost because of one of the following factors, it is known as “questioned cost”:

- An alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document that governs the expenditure of funds.
- A cost that, at the time of the audit, is not supported by adequate documentation.
- An expenditure of funds that is unnecessary or unreasonable for the intended purpose (applicable to incurred cost audits, such as those for defective pricing on defense contracts).

★4.4. **Disallowed Cost.** When management, in a management decision, sustains or agrees a questioned cost should not be charged to the government, it is known as a “disallowed cost” (applicable to incurred cost audits, such as those for defective pricing on defense contracts).

4.5. **Computation.** Auditors compute estimated monetary benefits from the most reasonable data available. It is often impossible or impractical to determine actual monetary benefits. Therefore, auditors base estimates on generally accepted principles, models, or formulas. For example, AFAA auditors use the lower limit when expressing a single amount for a statistically projected range of values.

4.5.1. The AFAA expresses monetary benefits in terms of “current year” dollars:

- Monetary benefit computations include any appropriate offset costs.
- Offset costs include all direct or indirect costs incurred in implementing the action that will result in the monetary benefit.

4.5.2. PMBs can be one-time or annual. Annual benefits recur for an indefinite period of time, but AFAA limits computations to a 6-year period; that is, the current year plus five.

4.6. **Coordination.** Before they issue a draft report to an audited organization, the AFAA coordinates PMB amounts of \$50,000 or more with the organization responsible for the funds (for example, the appropriate item manager at an air logistics center), if the responsible organization differs from the audited organization.

4.7. **Explanation to Management.** The AFAA attaches the summary of audit results (SAR) to the draft copy of all audit reports given to management. The SAR explains PMBs of \$50,000 or more. The report can explain PMB amounts of less than \$50,000, or management can ask for an explanation from the auditor. The amount included in the SAR will agree with the amount in the report.

4.8. Management Response:

4.8.1. Management can agree or disagree with the estimated PMBs in reports of audit. Management, however, should not disagree with the auditor’s estimate solely to put off the decision until actual benefits materialize.

4.8.2. Management should comment on the reasonableness of the auditor’s estimate and must justify disagreements with evidence that supports an alternate estimate.

★4.9. **Reporting PMBs.** AFAA includes PMBs in Air Force-level reports of audit in the RCS: DD-IG(SA)1717, *Semi-annual Report to the Congress*, and all PMBs in the RCS: DD-IG(SA)1574, *Follow-up Status Report*.

Chapter 5

NONAPPROPRIATED FUND AUDITS

5.1. Annual Audit Requirements:

5.1.1. Management arranges for annual audits of NAF activities when annual revenues or expenses exceed \$5 million or for highly sensitive situations, such as potential fraud or large public exposure

5.1.2. Groups of activities, such as the Installation Morale, Welfare, and Recreation (MWR) Fund need not meet the \$5 million requirement, but individual entities in an MWR fund (installation, MAJCOM, or Air Force) whose funding exceeds the \$5 million threshold must have an annual audit.

5.1.3. The Inspector General, DoD, approves, in writing, other exceptions to the dollar limitation.

5.2. Sources of Funding:

5.2.1. NAF Activities:

- The Air Force prefers NAF support for audits of revenue-generating activities. Management can get audit support by contracting with certified public accountants in accordance with AFPD 65-3 or by reimbursing the AFAA.
- Management reimburses AFAA when the Air Force Morale, Welfare, and Recreation Advisory Board (AFMWRAB) or the Army and Air Force Civilian Welfare Board (AAFCWB) makes NAFs available for this purpose.
- The AFAA performs audits if fraud or other serious improprieties are suspected. Management does not reimburse the AFAA for these audits.

5.2.2. Combined Appropriated Fund (APF) and NAF Activities. When groups of APF and NAF activities operate as an entity, the Air Force can use APF or personnel paid from APFs and not make reimbursement.

5.2.3. APF Activities. APFs and personnel paid from APFs commonly support audits of activities approved for full or substantial support by APF. These activities are categories "A" (mission sustaining) and "B" (basic community support).

5.2.4. APF Support of NAF Audits. APFs and personnel paid from APFs normally support NAF audits when legally allowed and approved by the SECAF.

5.3. Audits of Private Organizations. The Air Force does not provide APFs, NAFs, or personnel supported by these funds to audit private organizations such as museum foundations, thrift shops, Air Force Aid Societies, scouting groups, wives' clubs, and auxiliaries on Air Force installations, unless authorized by the SECAF. When indications of fraud or other improprieties exist, regardless of the amount of revenues, the commander can ask the AFAA to do an audit to protect the Air Force's interest.

5.4. Audits of State Air National Guard (ANG) NAF Activities. ANG NAF activities that are properly approved, operated in accordance with ANG regulations, and receive no APF support, need not undergo an audit by federal entities or audits contracted by those entities.

5.5. Processing Public Accountant Reports. The responsibilities for directing public accountant reports are listed in attachment 3.

5.5.1 Reporting Level. The public accountant contract audit (PACA) program contracts require contractors to issue to each base commander a report on findings and recommendations for that particular base.

- When findings and recommendations are system-wide or procedural, public accountants consolidate installation-level audit results and issue a report to the AFMWRAB or AAFCWB.
- Public accountants should promptly report any findings that suggest irregular conduct or the possibility of fraud to Air Force Services Agency (AFSVA), Directorate of Plans and Evaluations (HQ AFSVA/SVQ) and the installation's servicing Air Force Office of Special Investigations (AFOSI) detachment.

5.5.2. Management Comments. Commanders of audited activities prepare management comments for each finding and recommendation in the audit report and give them to the audit firm within 35 calendar days (50 days for overseas) from the date they receive the draft audit report. See paragraph 1.5 for specific instructions.

5.5.3. Evaluation of Management Comments. In the installation-level report, public accountants evaluate the responsiveness and adequacy of management comments for each finding and recommendation. They state whether the actions taken or planned respond to the recommendations and if any alternative management actions correct the reported deficiency. When public accountants evaluate management comments as nonresponsive, the accountant explains why management actions are inadequate. These evaluations follow each management response in the final report.

5.5.4. Report Distribution. The installation quality assurance evaluator distributes the public accountant report to the following:

- Installation commander.
- Local audit focal point.
- Servicing AFAA area audit office.
- Manager of the activity audited.
- Servicing AFOSI detachment.
- NAF Accounting Office.
- Base liaison between FM and SV (usually the NAF Financial Analyst).

5.5.5. Command Review. MAJCOM, FOA, or DRU commanders review public accountant reports, advise base commanders on preparing management comments, and monitor implementation of corrective actions. MAJCOM, FOA, and DRU MWR staffs also periodically crossfeed internal control weaknesses, findings, and recommendations that public accountants identify during audits, to MWR chiefs within the command.

5.5.6. Resolution of Nonconcurrences and Follow-up on Open Items. SAF/FM works with HQ Services Agency (HQ SVA) or AAFCWB to resolve any disagreements with audit findings or recommendations in PACA program audit reports that they cannot resolve at MAJCOM level. If

SAF/FM cannot resolve the disagreements at this level, they follow policy guidance in AFPD 65-4, *Follow-up on Internal Air Force Audit Reports and Liaison With External Audit Organizations*. The resolution period is 6 months and begins when the public accountant issues the report.

5.6. Processing AFAA Audit Reports. AFAA addresses, processes, and distributes reports on NAF activities according to the requirements for AFAA installation-level reports detailed in chapter 1 of this instruction. AFAA reports on NAF activities receive management follow-up attention in the same way as do other AFAA reports, as specified in AFPD 65-4.

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The Auditor General

GLOSSARY OF REFERENCES, ABBREVIATIONS, ACRONYMS, AND TERMS

References

NOTE: ★Where a former designation is given, i.e., “(formerly AFR 205-1)” that denote the successor publication has not yet been published as of the date of this glossary. This glossary indicates the new designation and title.

★DoD 7600.7-M, *Internal Audit Manual*

★AFI 65-403, *Follow-Up on Internal Air Force Audit Reports*

★AFPD 65-3, *Internal Auditing*

★AFPD 65-4, *Follow-up on Internal Air Force Audit Reports and Liaison with External Audit Organizations*

Abbreviations and Acronyms

AAFCWB—Army and Air Force Civilian Welfare Board

AF/CC—Air Force Chief of Staff

AF/CVA—Assistant Vice Chief of Staff (Air Force)

AFAA—Air Force Audit Agency

AFAA/FSP—Air Force Audit Agency, Financial [&] Support Audit Directorate, Personnel [&] Health Care Division

AFI—Air Force Instruction

AFMWRAB—Air Force Morale, Welfare, and Recreation Advisory Board

AFOSI—Air Force Office of Special Investigations

AFPD—Air Force Policy Directive

AFSVA—Air Force Services Agency

ANG—Air National Guard

ANG—Air National Guard

ANGRC—Air National Guard Readiness Center

APF—Appropriated Funds

CAP—Commanders Audit Program

DoD—Department of Defense

DRU—Direct Reporting Unit

FOA—Field Operating Agency

HQ AF/SV—Director of Services

HQ AFSVA/SVQ—Headquarters, Air Force Services Agency, Directorate of Plans and Evaluations

HQ USAF—Headquarters, United States Air Force

MAJCOM—Major Command

MWR—Morale, Welfare, and Recreation

NAF—Non-Appropriated Funds

OCR—Office of Collateral Responsibility

OIG, DoD—Office of the Inspector General, Department of Defense

OPR—Office of Primary Responsibility

PACA—Public Accountant Contract Audit

PMB—Potential Monetary Benefits

QAE—Quality Assurance Evaluators

RCS—Report Control Symbol

SAF/AGA—Air Force Audit Agency, Pentagon Liaison Office

SAF/FM—Assistant Secretary for Financial Management and Comptroller

SAF/FMCEB—Director, Economics [&] Business Management

SAF/FMP—Deputy Assistant Secretary (Financial Management) for Plans, Systems, and Analysis

SAF/US—Under Secretary of the Air Force

SAR—Summary of Audit Results

SECAF—Secretary of the Air Force

EXAMPLES OF MANAGEMENT ACTION STATEMENTS

A2.1. “(SAF/XX, AF/XX, or installation-level organization symbol) concurs with the finding, recommendation, and potential monetary benefit; agrees that corrective action is needed; and accepts the auditor’s recommendation.” (Cite action taken or planned, along with actual or anticipated action completion dates.)

A2.2. “(SAF/XX, AF/XX, or installation-level organization symbol) concurs with the finding, recommendation, and potential monetary benefit; agrees that corrective action is needed. However, in lieu of the auditor’s recommendation, we suggest ____.” (Cite alternative action taken or planned, along with actual or anticipated action dates.)

A2.3. “(SAF/XX, AF/XX, or installation-level organization symbol) concurs with the finding and potential monetary benefit, but does not concur with the need for corrective action.” (Cite reasons briefly and comprehensively. Use this comment when the finding is not contested, but management does not believe the condition warrants corrective action.)

A2.4. “(SAF/XX, AF/XX, installation-level organization symbol) nonconcurs with the finding and the need for corrective action cited in paragraphs....” (Cite reasons for nonconcurrence and provide substantiating data as attachments, where proper or available. Make comments brief and comprehensive.)

A2.5. “(SAF/XX, AF/XX, or installation-level organization symbol) concurs with the finding and recommendation, but nonconcurs with the benefits included in the finding.” (Cite action taken or planned on finding and recommendations along with actual or anticipated action completion dates. Cite reasons for the disagreement with the potential monetary benefit and provide revised calculations, if appropriate.)

WHAT PEOPLE DO

Section A —Responsibilities for Air Force-Level Reports

A3.1. AFAA Assistant Auditors General:

- Identify a Secretariat, Air Staff, or MAJCOM OPR to provide fully coordinated management responses on draft Air Force-level audit reports.
- Discuss draft reports with all interested management personnel.
- Consider OPR requests to extend suspense dates for responding to draft reports and grant extensions when appropriate.
- Evaluate management comments.
- Provide AFAA evaluations of management comments to SAF/AGA.

A3.2. SAF/AGA:

- Establishes a suspense date to receive coordinated comments from the Secretariat or Air Staff OPR.
- Distributes all draft reports within the Secretariat and Air Staff and to MAJCOM, FOA, and DRU addressees.
- Receives fully staffed and coordinated management comments from the Secretariat or Air Staff.
- Provides management comments to the AFAA OPR for evaluation.
- Provides AFAA evaluation of management comment to the applicable assistant secretary, AF/CC; Secretariat or Air Staff OPR.

A3.3. Secretariat, Air Staff, or MAJCOM/FOA/DRU OPR:

- Provides the AFAA OPR with the names, office symbols, and telephone extensions of action officers and those designated to attend discussions of the draft report of audit.
- Contacts OCRs by telephone or message to confirm that OCRs review drafts and provide management comments by the established suspense date.
- Advises the AFAA OPR promptly of any disagreements, nonconcurrences, or needed clarifications that surface during response preparation.
- Requests extensions to the response suspense date from the AFAA OPR, when necessary.
- Receives coordinated responses from OCRs and consolidates and provides them to SAF/AGA by the suspense date.

A3.4. Each OCR:

- Assists in obtaining a response from respective action officers.
- Highlights problems and disagreements with the draft report and advises the OPR accordingly.
- Provides the AFAA OPR with names of individuals designated within the OCR's organization to attend draft report discussions.
- Advises the management OPR promptly of any disagreements, nonconcurrences, or needed clarifications that surface during response preparation.
- Provides comments from the action offices to the OPR 15 calendar days prior to the assigned suspense date.

A3.5. AFAA Directorate of Operations. Distributes the final report to all recipients and the tracking sheets to SAF/FM.

A3.6. SAF/FM:

- Reviews final reports and initiates the resolution process when reports contain disagreements.
- Tracks management's implementation of corrective action and advises AFAA of the progress and completion of those actions.

Section B —Responsibilities for NAF Contracted Audits

A3.7. AFMWRAB and AAFCWB. Provide funds for auditing NAF activities, suggest activities for audit coverage, and direct actions based on the results of audits.

A3.8. HQ AFSVA. Manages the PACA program and will:

- Prepare an annual audit plan for the NAF portions of SV, the Civilian Welfare Fund, the Civilian Base Restaurant, and lodging operations.

- Identify financial requirements and funding sources for PACA program audits, obtains NAF funding through the AFMWRAB and AAFCWB, and requests APF support for auditing groups of activities that have authorized APF support through the Air Force APF budget process.
- Develop statements of work for base restaurants and civilian welfare funds based on the annual audit plan and coordinates the statements of work with AAFCWB.
- Instruct all NAF activities to cooperate with public accountants and provide access to all the information and records the public accountants need to accomplish an audit.
- Instruct SV commanders to appoint installation quality assurance evaluators (QAE) to make sure that the installation provides all required logistical and administrative support specified in the contract.
- Provide instructions to public accountants by contractually requiring the contractor to:
 - Conduct the audits in accordance with generally accepted government auditing standards, as stated by the Comptroller General of the United States, and with the guidance stated in the contract.
 - Retain working papers for 3 years following the audit report date.
 - Retain audit reports for 5 fiscal years after the fiscal year issued.
 - Discuss audit results with management, provide draft reports for comment, and include management comments, and an evaluation of them, in the final report.
 - Provide copies of the final report to the installation QAE for local distribution; SAF/FMCEB; HQ AFSVA/SVQ; and AAFCWB, if applicable; the audit focal point at the MAJCOM, FOA, or DRU of the audited activity; and AFAA/FSP.
- Advise the servicing AFOSI detachment when they identify instances of suspected fraud.

A3.9. SAF/FM. Oversees all levels of the auditing process.

A3.10. AFAA. Periodically evaluates the adequacy of NAF activity audit coverage and the quality of public accountant audits. The AFAA:

- Provides technical guidance to HQ AFSVA, when requested.
- Periodically reviews certified public accountant audits to make sure that they conform with Comptroller General of the United States standards and the policies in DoD Directive 7600.2 and DoD Instruction 7600.6, *Audit of Nonappropriated Fund Instrumentalities and Related Activities*, April 16, 1987.
- Includes system or functional reviews of NAF activities in the AFAA annual audit plan, as appropriate. AFAA area audit offices can schedule audits of categories “A” and “B” SV activities in their annual audit plans, based on audit priorities. AFAA does not perform audits of category “C” (revenue-generating) activities, including CAP requests, without the prior approval of SAF/AG.
- Provides copies of installation-level reports on NAF activities to the installation audit focal point, HQ AFSVA/SVQ or AAFCWB, SAF/FMCEB, AFAA/FSP, and the applicable MAJCOM audit focal point.
- Notifies HQ AFSVA of planned audits on NAF activities to avoid duplicate audits.